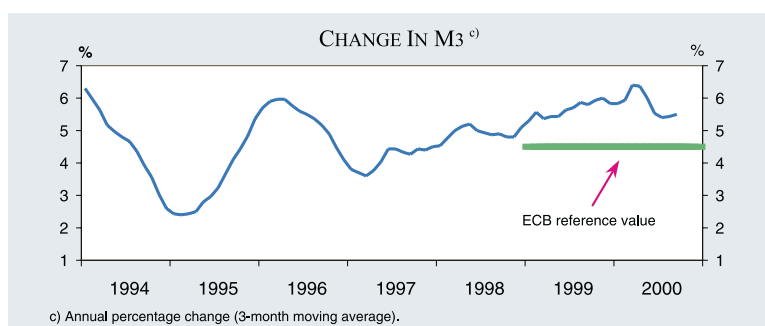
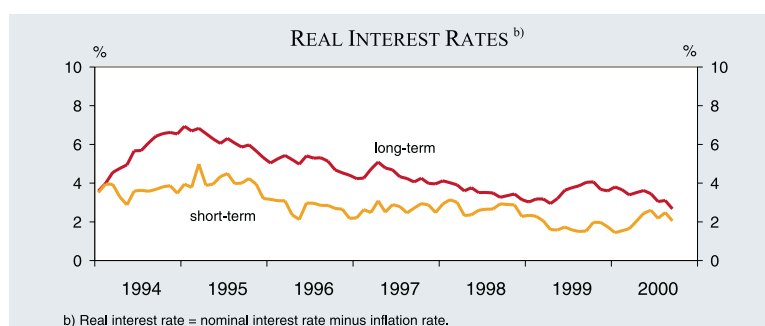
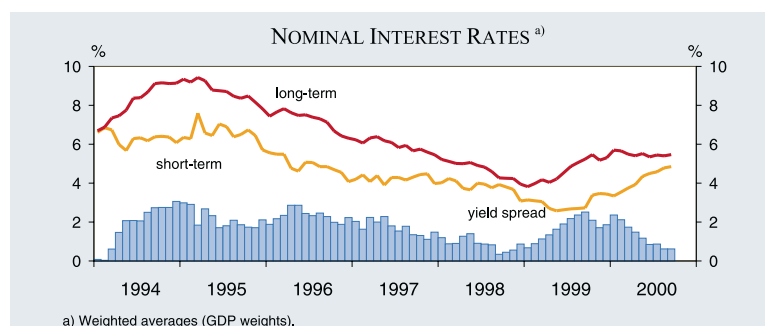


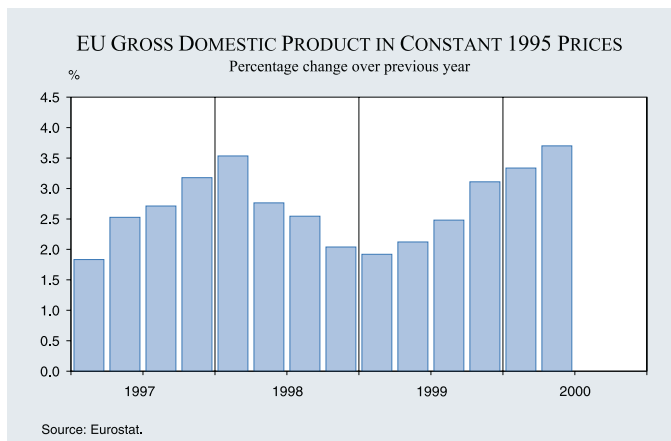
## MONETARY CONDITIONS IN THE EURO-REGION



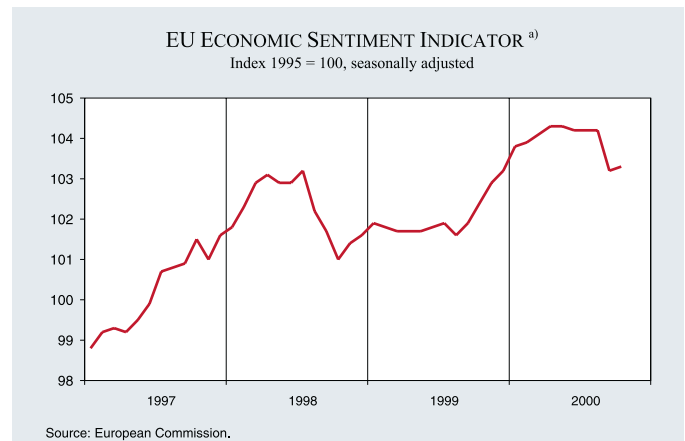
Source: European Central Bank.

At present monetary conditions are largely neutral. At its most recent meetings, the European Central Bank left its key interest rates unchanged after having raised them by a total of 1¼ percentage points since last spring to 5% in October 2000. With 10-year government bond yields remaining roughly constant over the same period, the yield spread has narrowed considerably. Money supply growth has shown signs of moderation in recent months, remaining at 5.4% in the period from July to September 2000, unchanged from the previous three-month period. It thus still exceeded the ECB's target growth rate for M3 of 4.5%.

## EU SURVEY RESULTS

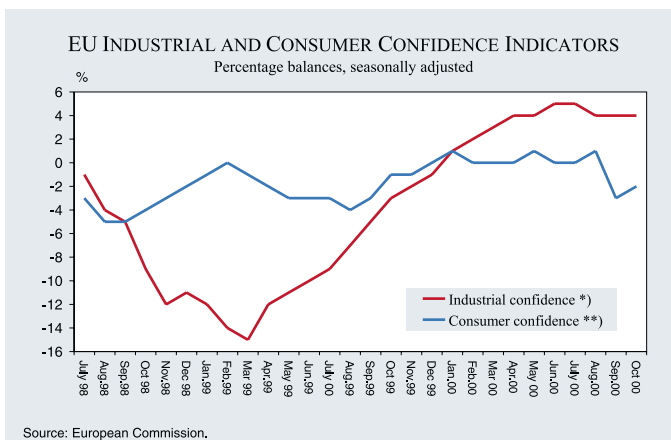


Gross domestic product expanded briskly during the first half of 2000, at an annualised rate of 3.5%. Growth was primarily driven by exports which benefited from the continuing strong activity in the United States, recovery in Asia and Central Eastern Europe, and a weakening euro. Domestic demand also rose due to employment gains and tax cuts.



\* The indicator of economic sentiment is a weighted average of the industrial confidence indicator, the construction confidence indicator, the consumer confidence indicator and the share-price index. 1995 = 100.

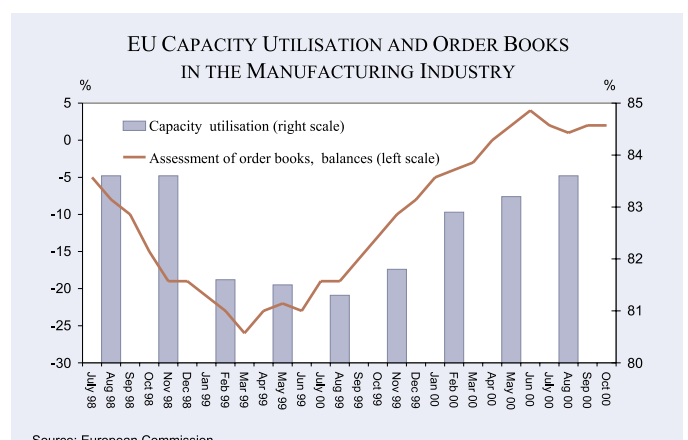
In October, the economic sentiment indicator reversed and increased by 0.1 points. Among its components only the construction confidence indicator increased, by 2 points. Denmark and Spain displayed the highest gains in economic sentiment, at 0.4 points each, while the U.K. and France had increases of 0.3 and 0.1 points respectively.



\* The industrial confidence indicator is an average of responses (balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

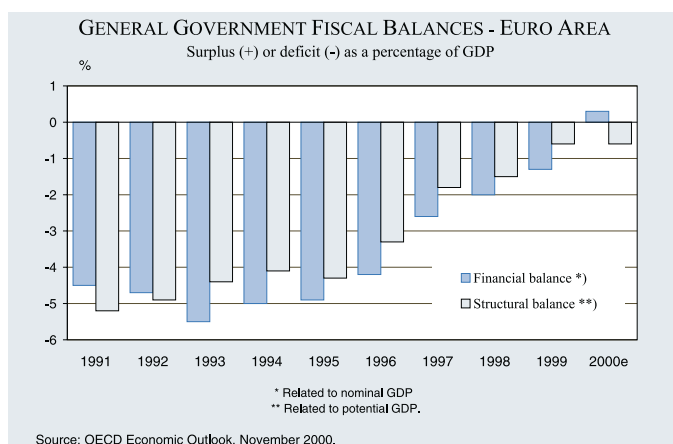
\*\* The consumer confidence indicator is an average of responses to the questions on the financial situation of households and their assessment of the general economic conditions, both in the past and future twelve months, and the question on big-ticket purchases.

While the industrial confidence indicator remained unchanged (at +4) in October because industrialists were optimistic about export orders, the consumer confidence indicator improved from -3 to -2. This was due in large measure to the increases in Denmark and the United Kingdom.



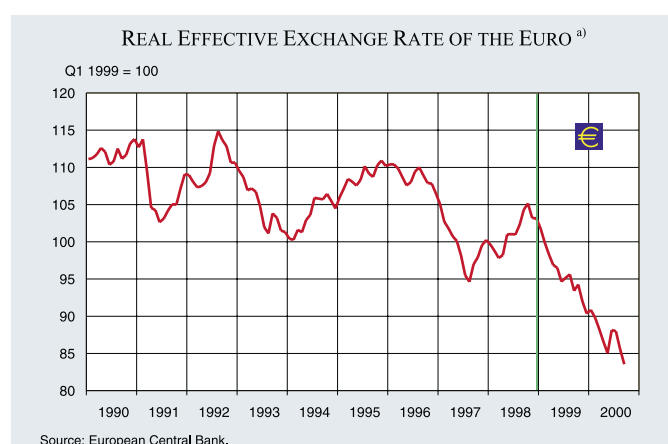
Capacity utilisation in the EU rose from 83.2% in the second quarter to 83.6% in the third quarter. Utilisation rates increased most in France, the UK, Portugal and Spain. The assessment of new orders in the manufacturing industry in terms of balances has remained largely unchanged since June.

## EURO AREA INDICATORS



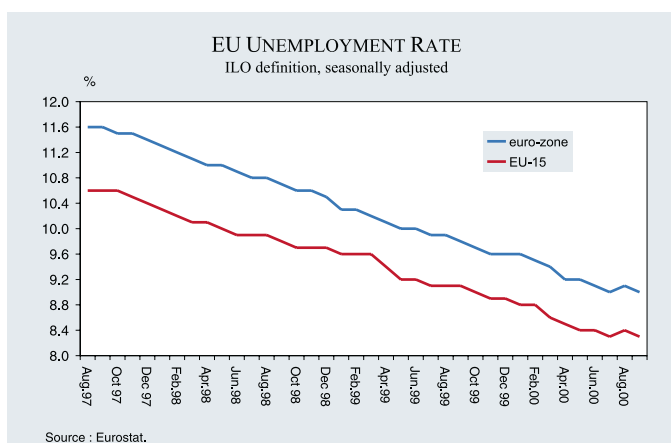
The general financial balance of the euro area has steadily declined as countries have pursued a course of fiscal consolidation to fulfil the Maastricht criteria.

The deficit amounted to 1.3% of GDP in 1999. The OECD estimates a slight surplus in 2000, but projects small deficits again for 2001 and 2002. The structural deficit is estimated to remain unchanged at 0.6% in 2000 and the two years beyond.

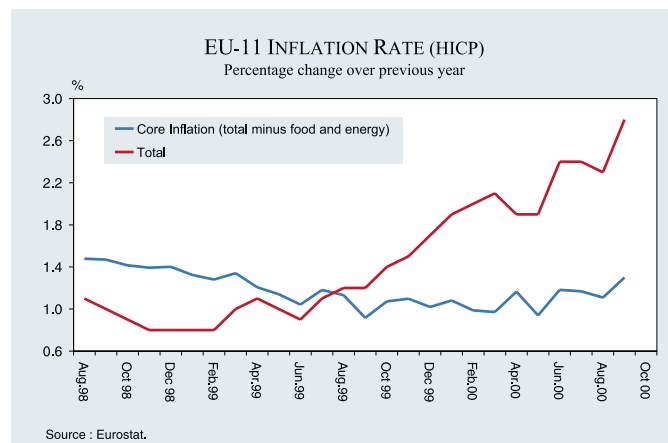


<sup>a)</sup> BIS calculations; to December 1998, based on weighted averages of the euro area countries' effective exchange rates; from January 1999, based on weighted averages of bilateral euro exchange rates. Weights are based on 1990 manufactured goods trade with the trading partners United States, Japan, Switzerland, United Kingdom, Sweden, Denmark, Greece, Norway, Canada, Australia, Hong Kong, South Korea and Singapore and capture third market effects. Real rates are calculated using national CPIs. Where CPI data are not yet available, estimates are used.

The real effective exchange rate of the euro continued to decline after a brief respite in June and July of this year. It has lost 12% versus October 1999.



The unemployment rate continued to decline in both, the euro area and the entire EU. In September it stood at 9.0% in the euro area and at 8.3% in the EU-15. While the decline in unemployment occurred across all countries, especially noteworthy was the progress achieved in France and Germany, albeit from high levels.



Consumer price inflation accelerated to 2.8% in September, having averaged 2.1% in the year to August. While food prices have also increased faster in the second half of the year, energy prices have been the major contributor to the rise. Core inflation (i.e. deducting food and energy) remained relatively stable at 1.3%.